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November 29, 2005

Mr. Henry Walker  
Boult, Cummings, et al.  
1600 Division Street, #700  
P. O. Box 340025  
Nashville, TN 37203

Re: Application of Bristol Tennessee Essential Services for a Certificate of Public Convenience and Necessity to Provide Competing Telecommunications Services Within the State of Tennessee  
Docket No. 05-00251

Dear Henry:

Please find enclosed United Telephone-Southeast, Inc.'s First Set of Interrogatories and Requests for Production of Documents to your client Bristol Tennessee Essential Services in the above-referenced docket. As a reminder, responses are to be served on me by December 14, 2005.

Please do not hesitate to contact me with any questions concerning this matter.

Sincerely yours,

Edward Phillips

HEP:sm

Enclosure

cc: Sharla Dillon

BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

In Re:

Application of Bristol Tennessee Essential Services  
for a Certificate of Convenience and Necessity to  
Provide Competing Telecommunications Services

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) Docket No. 05-00251  
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**UNITED TELEPHONE-SOUTHEAST, INC.'S FIRST SET OF  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF  
DOCUMENTS TO BRISTOL TENNESSEE ESSENTIAL SERVICES**

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Pursuant to Authority Rule 1220-1-2-.11, United Telephone-Southeast, Inc. ("UTSE") submits these discovery requests to Bristol Tennessee Essential Services ("BTES"). UTSE requests that BTES provide answers to these discovery requests to its counsel, Edward Phillips at United Telephone-Southeast, Inc., 14111 Capital Boulevard, Wake Forest, North Carolina, 27587-5900.

(a) If any response required by way of answer to these requests is considered to contain confidential or protected information, please furnish the requested information when a protective order has been entered in this docket and the appropriate non-disclosure agreements have been executed by the parties.

(b) If any response required by way of answer to these requests is withheld under a claim of privilege, please identify the privilege asserted and describe the basis for such assertion.

(c) If any request cannot be responded to in full, answer to the extent possible and specify the reason for your inability to respond fully. If you object to any part of a request,

answer all parts of the request to which you do not object, and as to each part to which you do object, separately set forth the specific basis for the objection.

(e) These requests require supplemental responses consistent with the provisions of the Tennessee Rules of Civil Procedure.

### **DEFINITIONS**

“You,” “your” or “BTES” refers to Bristol Tennessee Essential Services and any parent or subsidiary corporations, DBAs, FKAs, and the employees, agents, representatives, or consultants of Bristol Tennessee Essential Services or any parent or subsidiary corporations.

“Representative(s)” means those persons, past and present not in the direct employment of BTES including outside counsel, who represent or represented the interests of BTES in matters related to this proceeding.

“Employee(s)” means those persons in the direct employment of BTES, past and/or present.

“Person” and “persons” include individuals, firms, partnerships, associations, joint ventures, corporations, government entities, or other groups, however organized.

“Document” or “documentation” means any medium upon which intelligence or information can be recorded or retrieved, and includes, without limitation, the original and each copy, regardless of origin and location, of any book, pamphlet, periodical, letter, memorandum (including any memorandum or report of a meeting or conversation), invoice, bill, order, form, receipt, financial statement, accounting entry, diary, calendar, telex, telegram, e-mail, facsimile (“fax”), cable, report, recording, contract, agreement, study, handwritten note, drawing, sketch, graph, index, list, tape, photograph, microfilm, data sheet or data processing tape, disk, file stored on computer, or any other written, recorded,

transcribed, punched tape, filmed or graphic matter, however produced or reproduced, which is in your possession, custody, control or otherwise accessible to you or which was, but is no longer, in your possession, custody or control.

“Identification” or “identify” when used in reference to: (i) a document other than a contract or agreement, means to state: (1) its date; (2) its author; (3) the type of document; (4) its title; (5) its present location; (6) the name of each of its present custodians; (ii) a contract or agreement, means: (1) state the date of its making; (2) identify the parties thereto; (3) state whether the contract is oral or in writing; (4) state fully and precisely and separately all of the terms of said contract; (iii) a person other than an individual, means to state: (1) its full name; (2) its nature of organization, including the name of the state or country under the laws of which it was organized; (3) the address of its principal place of business; and (4) its principal line of business; (iv) a communication, requires you, if any part of the communications was written, to identify the document or documents which refer to or evidence the communication, and to the extent that the communication was not written, to identify the persons participating in the communication and to state the date, manner, place, and substance of the communication.

“Possession, custody or control” includes actual and constructive possession. Any document which is not in your immediate physical possession, but to which you have or had a right to compel or secure production from a third person or which is otherwise subject to your control, shall be obtained and produced as directed.

“Relate to” means concern, consist of, refer to, pertain to, reflect, evidence, or to be in any way logically or factually connected with the matter discussed.

“And” and “or” shall be construed both conjunctively and disjunctively, and each shall include the other whenever such construction will serve to bring within the scope of these interrogatories anything that would not otherwise be brought within their scope.

“Concerning” shall mean comprising, describing, evidencing, referring to, responding to, quoting, or pertaining in any way to any part of a specified subject matter and/or to the contents or subject matter of any document including the specified subject matter.

“Communication” includes, without limitation of its generality, correspondence, statements, agreements, contracts, discussions, conversation, speeches, meetings, remarks, questions, answers, panel discussions and symposia, whether written or oral. The term includes, without limitation of its generality, both communications and statements which are face-to-face and those which are transmitted by documents or by media such as e-mail, intercoms, telephones, television or radio, data systems, and electronic reproductions and delivery systems.

“UTSE” refers to United Telephone-Southeast, Inc.

“Telecommunications service,” and “service” are used herein to have the same definitions contained in the federal and state statutes, rules and regulations.

### **INSTRUCTIONS**

These Interrogatories and Requests for Production of Documents are to be answered with reference to all information in your possession, custody or control or reasonably available to you. When the information requested by an Interrogatory varies over time, state the response for each period of time as to which the response differs, and identify the time periods. If you cannot answer an Interrogatory in full after exercising due diligence to secure all the information requested, or do not have precise information with regard to any part of any Interrogatory, you

should so state in your response, describing in full your effort to obtain the information requested, and then proceed to respond to the fullest extent possible. If you object to any part of any Interrogatory, answer all parts of the Interrogatory to which you do not object, and as to each part to which you do object, separately set forth the specific basis for the objection.

These Interrogatories and Requests for Production of Documents are continuing in nature. Thus, in the event that you obtain additional information with respect to any Interrogatory and Request for Production of Documents after it has been answered, you are required to supplement your response promptly following receipt of such additional information, giving the additional information to the same extent as originally requested. If you are unwilling to supplement your responses, please so state giving the legal basis for your refusal.

In the event that you assert that any requested information is not available in the form requested, in your written response thereto, you should disclose the following:

- a. The form in which the requested information currently exists (identifying documents by title or description);
- b. The earliest dates, time period, and location that representatives of UTSE may inspect your files, records or documents in which the information currently exists.

For each Interrogatory and Request for Production of Documents answered, provide the name, business address(es) and telephone number(s) of the person or persons answering, the title of such person(s), and the name of the witness or witnesses who will be prepared to testify concerning the matters contained in each response. If you do not intend to call or present a witness who is prepared to testify concerning the matters contained in any response, please so state.

## **INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

- 1) Please provide all business plans submitted by the Bristol Tennessee Electric System or BTES to the State of Tennessee Comptroller (Comptroller) including the plan submitted September 27, 2004 and the plan returned to BTES by way of letter dated July 27, 2004.

**RESPONSE:**

- 2) Please explain in detail the development of the business plans requested in Question 1 including outside parties assisting BTES in developing the plans and any outside resources were consulted in developing the plans.

**RESPONSE:**

- 3) By way of an October 7, 2004 letter to BTES, the Comptroller listed numerous assertions contained in the September 27, 2004 BTES business plan that the Comptroller based its feasibility analysis on. Have any of the assertions described by the Comptroller in the October 7, 2004 letter changed?

**RESPONSE:**

- 4) Please provide all other documents that BTES has exchanged with the Comptroller regarding municipal provision of cable television, internet and/or telephone service.

**RESPONSE:**

- 5) Please provide any other business plans concerning the municipal provision of cable television, internet and/or telephone service performed by or for BTES, including any updates or revisions to the business plans submitted to the Comptroller.

**RESPONSE:**

- 6) What is the status of the inter-division loan mentioned in the Comptroller's October 7, 2004 letter including the current amount of the loan by division/service?



RESPONSE:

- 7) Please provide all documents BTES has generated that document any current and/or future inter-division loan from BTES' electric division to its cable television, internet and telephone divisions.

RESPONSE:

- 8) What is the total amount of inter-division loans BTES intends to loan to its cable television, internet and telephone divisions over the next four (4) years?

RESPONSE:

- 9) Pursuant to Tenn. Code. Ann. § 7-52-402(2), any inter-division loan of funds must be approved in advance by the State Director of Local Finance. Provide all documents relating to BTES application to and approval by the State Director of Local Finance for inter-division loans.

**RESPONSE:**

- 10) What interest rate is BTES using in its financial statements and projections for inter-division loans?

**RESPONSE:**

- 11) For the last five (5) years, please provide the highest rate of interest earned by BTES on invested electric plant funds broken out by current and non-current assets.

**RESPONSE:**

- 12) Please provide all documents BTES has supplied to outside parties in furtherance of securing the bond issuance mentioned in the Comptroller's October 7, 2004 letter, including any business cases or plans relating to the municipal provision of cable television, internet and/or telephone service.

RESPONSE:

- 13) Please describe the nature of the bond(s) BTES has issued or is pursuing to fund its provision of cable television, internet and/or telephone services including whether such bond(s) are or will be secured by the taxing authority of Bristol, Tennessee.

RESPONSE:

- 14) Under what circumstances might the issuance of any bond BTES intends to issue to fund its cable television, internet and/or telephone services require a public vote?

RESPONSE:

- 15) Please provide documentation of the consent received from the local governing bodies of Sullivan County, Tennessee, Washington County, Virginia, any other county, and/or any incorporated municipal entities within any county (other than Bristol, Tennessee) for BTES to provide cable television/internet services or telephone services?

RESPONSE:

- 16) Which telephone services would BTES be authorized to provide by its instant *Application for a Certificate of Convenience and Necessity to Provide competing Telecommunications Service* (Application), e.g. local exchange, exchange access, intrastate intraLATA toll, intrastate interLATA long distance?

RESPONSE:

- 17) Does the authorization contained at Tenn. Code. Ann. § 7-52-401 permit municipalities to offer telecommunications services that are resold services of the incumbent local exchange carrier or must the services offered be provided by BTES facilities only?

RESPONSE:

- 18) Please provide a copy of any filing(s) or application(s) submitted by BTES to the Federal Communications Commission and any order issued as a result of such filing(s) or application(s).

RESPONSE:

- 19) Please explain in detail BTES' Application Exhibit D regarding a capital expenditures budget.

RESPONSE:

- 20) Please explain the system of accounts BTES proposes to use regarding its cable television, internet and telephone divisions.

RESPONSE:

- 21) BTES' Application at Exhibit B includes a cost allocation manual or CAM. On page 9 of the CAM it is related that BTES will record depreciation by business unit at

depreciation rates that will reflect “industry normal life spans”. Explain in detail how BTES has determined “industry normal life spans” including any third-party measures (FCC, FERC, GASB) that have been consulted or employed in BTES’ determination.

RESPONSE:

- 22) Do the business plans BTES submitted to the Comptroller in Question 1 reflect BTES’ application of “industry normal life spans” per its proposed CAM?

RESPONSE:

- 23) Please explain fully the development of the “plant in service allocators” located in the CAM at Appendix C, page 5 including fiber infrastructure cost assignment to the electric division.

RESPONSE:

- 24) How will BTES assign among its business units the cost of the fiber optic infrastructure (both fiber and associated electronics) that connects BTES' nineteen (19) substations, extended from the substations to BTES' customers curb, and runs from the curb to BTES' customers premises?

RESPONSE:

- 25) Regarding Exhibit D to BTES' Application, explain in detail the cost allocation assumptions reflected in the three year pro-forma financial statements?

RESPONSE:

- 26) Has Mr. Dwight S. Work participated in the development of any similar CAMs that sought to divide joint costs between regulated/monopoly and non-regulated/competitive type services for municipal utilities?

RESPONSE:

- 27) Please describe in detail the nature of the services provided by CCG Consulting or any other outside party to BTES regarding the municipal provision of cable television, internet and/or telephone service.

RESPONSE:

- 28) To what extent has BTES reviewed and/or incorporated the business plans/cases generated by the Bristol Virginia Utilities ("BVU") regarding its municipal provision of cable television, internet and telephone services?

RESPONSE:

- 29) In BTES' September 27, 2004 letter to the Comptroller, BTES mentions that it has surveyed its customers. Please provide all results of this survey and any other survey of area customers regarding the municipal provision of cable television, internet and/or telephone service including the specific question(s) asked.

RESPONSE:



- 30) Please provide a copy of BTES' Comprehensive Annual Financial Report for Year Ended June 30, 2005 and any other reporting of its performance to public.

RESPONSE:

- 31) Please explain in detail how BTES' Comprehensive Annual Financial Reports will present the financial results for its cable television, internet and telephone divisions including will separate balance sheets, income and cash flow statements be presented for each division?

RESPONSE:

- 32) What is the projected additional amount of revenues that the increase in BTES' electric rates, effective October 1, 2005, will generate during the period October 1, 2005 to September 30, 2006?

RESPONSE:

- 33) What is the projected additional cost to BTES of the increase in Tennessee Valley Authority wholesale electric rates to BTES for the period October 1, 2005 to September 30, 2006?

RESPONSE:

- 34) Please provide pro forma financial statements for BTES' cable television and internet divisions in a form similar to that provided in Exhibit D to BTES' Application.

RESPONSE:

- 35) Further explain the qualifications of BTES's senior management regarding the management of a business in a competitive or highly competitive environment, as opposed to a monopoly or non-competitive environment.

RESPONSE:

- 36) Please provide the names of each municipality that has used services, and briefly describe such services, provided by Harbor Network Services, Inc. for municipal cable television, internet and/or telephone services.

RESPONSE:

- 37) On June 30, 2005, the State of Tennessee, Comptroller of the Treasury, issued an evaluation of municipal cable television and internet systems as required by Tenn. Code. Ann. § 7-52-604(c). In discussing the possibilities for subsidization, the Comptroller explained at page 4:

Furthermore, the operations of municipal electric systems are heavily regulated by the TVA – the Tennessee Valley Authority. The standard power contract executed between TVA and municipal electric systems includes the following terms and conditions relating to financial and accounting policies: 'Except as hereinafter provided, Municipality....shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other of its operations. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of Municipality. Municipality may use property and personnel jointly for the electric system and other operations, subject to agreement between Municipality and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards'.

Does BTES' contract with the TVA contain this or similar language? Please provide a copy of the portion of the TVA contract related to this statement.

RESPONSE:

- 38) Please explain in detail how BTES telephone customers will have access to E911 services in the event of a power outage.

RESPONSE:

- 39) Will BTES customers be required to purchase a combination of cable television, internet and/or telephone services, or will such customers be able to individually purchase cable television service, internet service, telephone service, or basic telephone service?

RESPONSE:

Respectfully submitted this the 29<sup>th</sup> day of November, 2005.



Edward Phillips  
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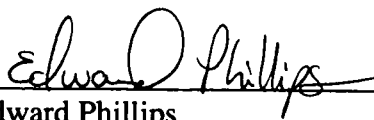
#### CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served upon Henry Walker via overnight express and upon all other parties of record by U.S. Mail, first class postage prepaid, this 29<sup>th</sup> day of November, 2005.

Guy Hicks  
BellSouth Telecommunications, Inc.  
333 Commerce Street, Suite 2101  
Nashville, TN 37201-3300

Henry Walker  
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Edward Phillips  
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United Telephone-Southeast, Inc.